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Financial statements of  
Engineers Without Borders (Canada)/  
Ingénieurs Sans Frontières (Canada)

October 31, 2020

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## Independent Auditor's Report

To the Board of Directors of  
Engineers Without Borders (Canada)/  
Ingénieurs Sans Frontières (Canada)

### Qualified Opinion

We have audited the financial statements of Engineers Without Borders (Canada)/Ingénieurs Sans Frontières (Canada) (the "Organization"), which comprise the statement of financial position as at October 31, 2020, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at October 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from individual donations and Canadian university support, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to recorded individual donations and Canadian university support revenue, the excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended October 31, 2020 and 2019, current assets as at October 31, 2020 and 2019, and the unrestricted fund balance as at November 1 and October 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended October 31, 2019 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
January 19, 2021

**Engineers Without Borders (Canada)/  
Ingénieurs Sans Frontières (Canada)**  
**Statement of financial position**  
As at October 31, 2020

	Notes	2020 \$	2019 \$
<b>Assets</b>			
Current assets			
Cash		<b>740,255</b>	610,655
Internally restricted cash	2	<b>220,000</b>	220,000
Convertible promissory notes	5	<b>—</b>	144,562
Accounts and other receivables	3	<b>532,506</b>	403,473
Prepaid and other expenses		<b>15,975</b>	70,012
		<b>1,508,736</b>	1,448,702
Investments	4	<b>263,550</b>	283,263
Long-term convertible promissory notes	5	<b>26,284</b>	132,836
Capital assets	6	<b>97,985</b>	123,002
Intangible assets	7	<b>103,472</b>	88,296
		<b>2,000,027</b>	2,076,099
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	8	<b>275,855</b>	524,045
Deferred lease inducements	9	<b>79,630</b>	99,961
Deferred revenue	10	<b>537,431</b>	639,850
		<b>892,916</b>	1,263,856
<b>Fund balances</b>			
Internally restricted	2	<b>220,000</b>	220,000
Invested in capital assets		<b>97,985</b>	123,002
Unrestricted		<b>789,126</b>	469,241
		<b>1,107,111</b>	812,243
		<b>2,000,027</b>	2,076,099

The accompanying notes are an integral part of the financial statements.

Approved by the Board of Directors

\_\_\_\_\_, Director

\_\_\_\_\_, Director

**Engineers Without Borders (Canada)/  
Ingénieurs Sans Frontières (Canada)**  
**Statement of operations**  
Year ended October 31, 2020

	Notes	2020 \$	2019 \$
<b>Revenue</b>			
Government support		<b>1,842,965</b>	2,385,034
Individual donations		<b>1,027,972</b>	1,118,285
Foundation support		<b>561,024</b>	750,796
National conference		<b>33,043</b>	177,341
Corporate contributions		<b>50,952</b>	83,680
Venture generated revenue		<b>428,197</b>	575,586
Other income		<b>1,898</b>	42,234
Canadian University support		<b>160,793</b>	103,826
		<b>4,106,844</b>	5,236,782
<b>Expenses</b>			
National conference, leadership/chapter development	13	<b>989,915</b>	934,317
Ventures		<b>1,359,665</b>	2,633,486
Public education and awareness		<b>357,706</b>	564,420
Fundraising		<b>654,389</b>	695,049
Management and administration		<b>450,301</b>	748,399
		<b>3,811,976</b>	5,575,671
<b>Excess (deficiency) of revenue over expenses</b>		<b>294,868</b>	(338,889)

The accompanying notes are an integral part of the financial statements.

**Engineers Without Borders (Canada)/  
Ingénieurs Sans Frontières (Canada)**  
**Statement of changes in fund balances**  
Year ended October 31, 2020

	<b>Unrestricted</b>	<b>Invested in capital assets</b>	<b>Internally restricted</b>	<b>2020 Total</b>	<b>2019 Total</b>
	\$	\$	\$	\$	\$
			(Note 2)		
<b>Fund balances, beginning of year</b>	<b>469,241</b>	<b>123,002</b>	<b>220,000</b>	<b>812,243</b>	1,151,132
Excess (deficiency) of revenue over expenses	<b>319,885</b>	<b>(25,017)</b>	—	<b>294,868</b>	(338,889)
<b>Fund balances, end of year</b>	<b>789,126</b>	<b>97,985</b>	<b>220,000</b>	<b>1,107,111</b>	812,243

The accompanying notes are an integral part of the financial statements.

**Engineers Without Borders (Canada)/  
Ingénieurs Sans Frontières (Canada)**  
**Statement of cash flows**

Year ended October 31, 2020

	<b>2020</b>	2019
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	<b>294,868</b>	(338,889)
Less: non-cash items		
Amortization of capital assets	<b>25,017</b>	25,018
Amortization of deferred lease inducements	<b>(20,331)</b>	(20,332)
Write-down of convertible promissory notes	<b>251,114</b>	—
	<b>550,668</b>	(334,203)
Changes in non-cash operating items		
Accounts and other receivables	<b>(129,033)</b>	(151,504)
Prepaid and other expenses	<b>54,037</b>	(9,648)
Accounts payables and accrued liabilities	<b>(248,190)</b>	196,766
Deferred revenue	<b>(102,419)</b>	(1,352,487)
Intangible assets	<b>(15,176)</b>	7,644
	<b>109,887</b>	(1,643,432)
<b>Investing activity</b>		
Investments	<b>19,713</b>	(67,126)
Net increase (decrease) in cash	<b>129,600</b>	(1,710,558)
Cash, beginning of year	<b>610,655</b>	2,321,213
<b>Cash, end of year</b>	<b>740,255</b>	610,655

The accompanying notes are an integral part of the financial statements.



## **1. Description of operating activities**

Engineers Without Borders (Canada)/Ingénieurs Sans Frontières (Canada) (the "Organization") commenced operations in 1999. Subsequently, the Organization was incorporated without share capital under the Canada Corporations Act on December 28, 2000. The Organization transitioned to the Canada Not-for-profit Corporations Act and obtained a Certificate of Continuance on April 23, 2014.

The Organization became a registered Charity on November 23, 2001. Under the Income Tax Act, the Organization is classified as a registered charity, and, if certain requirements are met, is not subject to income taxes, and may issue charitable tax receipts to donors, for qualifying donations.

The Organization was established to increase opportunity for those living in poverty in developing countries, particularly in Africa. This work involves creating and spreading innovative approaches to development, building capacity among local institutions, and supporting local leaders. It also involves working in Canada to engage engineers, effect policy change, and create opportunities for Canadians to connect and contribute to human development overseas.

These financial statements include the assets, liabilities, revenues and expenses of the Organization's 25 (33 in 2019) Canadian university-based and 2 (2 in 2019) professional chapters across Canada. These chapters undertake fundraising activities in order to run local education and engagement programs, and to contribute to overseas programs.

## **2. Summary of significant accounting policies**

### *Basis of presentation*

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPOs") and include the following significant accounting policies:

### *Revenue recognition*

The Organization follows the deferral method of accounting for restricted contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### *Donations-in-kind*

The work of the Organization is dependent on the services of many volunteers. Because these services are not normally purchased by the Organization and because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

Other donations-in-kind are recognized in the financial statements if they are normally purchased and their fair value can be established. The amount recognized as revenue and expenses during 2020 is \$42,180 (\$142,657 in 2019) which relates to Aeroplan points redeemed during the year (Note 7).

Donated shares are immediately sold and are recorded at the amount realized on sale.

## **2. Summary of significant accounting policies (continued)**

### *Aeroplan points*

In accordance with an agreement, the Organization has the right to redeem Aeroplan points in return for airline flights. The points are recorded as intangible assets based on the estimated redemption value and corresponding deferred revenue and are recognized as revenue and expenses as the points are redeemed.

### *Investments*

Investments are recorded at cost and are reviewed for impairment on an annual basis.

### *Leasehold improvements*

Leasehold improvements are recorded at cost. Amortization is recorded on the straight-line basis over the term of the lease.

### *Deferred lease inducement*

Deferred lease inducements, consisting of tenant allowances, free rent and reimbursement of costs, are amortized on the straight-line basis over the term of the lease.

### *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, financial assets and financial liabilities are recorded at cost.

Financial assets measured at amortized cost are assessed at each reporting date for impairment. If such impairment exists, the financial asset is written down and the impairment loss is recognized in the statement of operations.

### *Foreign currency translation*

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the date of the Statement of financial position for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenue and expense items are translated at the rates of exchange prevailing on the transaction dates. Foreign exchange gains or losses are included in the determination of the deficiency of revenue over expenses for the year.

### *Allocation of common expenses*

Certain officers and employees perform functions that are specific to direct projects (National conference, leadership/chapter development, Ventures, and Public education and awareness), fundraising, and management and administration activities; as a result, the related payroll and benefits costs are reflected as an expense of those functions. Certain other employees perform a combination of management and administration and fundraising functions. In this case, the recorded cost is based on the actual time dedicated to the functional activity.

Common expenses, such as bank charges, offices expenses and travel, professional development and human resources, professional fees, insurance, rent and utilities, are allocated to each expense category (National conference, leadership/chapter development, Ventures, Public education and awareness, Fundraising, Management and administration) based on the proportion of the salary for that category in relation to total salary. Such allocations are reviewed regularly by management.

## 2. Summary of significant accounting policies (continued)

### *Description of funds*

#### *Invested in capital assets fund*

The Invested in capital assets fund records the net book value of the Organization's capital assets.

#### *Internally restricted fund*

During 2016, the Internally Restricted Fund was established by the Board of Directors with an interfund transfer of \$220,000 to create a cash reserve for future needs.

### *Use of estimates*

The preparation of the Organization's financial statements in conformity with ASNPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include investments, convertible promissory notes, intangibles, accrued liabilities, deferred revenue and amortization of capital assets.

## 3. Accounts and other receivables

The balance accounts and other receivables consists of:

	<b>2020</b>	2019
	\$	\$
Global Affairs Canada	<b>450,000</b>	—
Government of Canada	<b>33,684</b>	—
Harmonized Sales Tax	<b>20,798</b>	248,912
Concordia University	<b>20,000</b>	—
MaRS Discovery District	<b>6,000</b>	—
Other	<b>2,024</b>	5,205
Advances to employees	—	68,470
Bill and Melinda Gates Foundation	—	65,035
Eventbrite	—	8,351
Memorial University	—	7,500
	<b>532,506</b>	<b>403,473</b>

## 4. Investments

Investments include individual ownership interests of between 2.13% and 6.94% (2.13% and 6.94% in 2019) in two (two in 2019) non-Canadian entities and one (two in 2019) Canadian entity.

**Engineers Without Borders (Canada)/  
Ingénieurs Sans Frontières (Canada)**  
**Notes to the financial statements**  
October 31, 2020

**5. Convertible promissory notes**

	<b>2020</b>	2019
	\$	\$
U.S. dollar loan of 20,000 (U.S. dollar 20,000 in 2019), is due June 30, 2021. Interest is payable at the rate of 6% during the term of the loan, and at the rate of 3% thereafter (if unpaid at the maturity date)	<b>26,284</b>	26,284
U.S. dollar loan of 100,000 (U.S. dollar 100,000 in 2019), that was due on August 31, 2021 and October 30, 2024. The loan was written-off during the year.	—	132,836
U.S. dollar of 50,000 (U.S. dollar 50,000 in 2019), that was due on September 28, 2020. The loan was written-off during the year.	—	65,710
U.S. dollar loan of 40,000 (U.S. dollar 40,000 in 2019), that was due on December 27, 2019. The loan was written-off during the year.	—	52,568
	<b>26,284</b>	277,398
Less: current portion	—	144,562
	<b>26,284</b>	<b>132,836</b>

With respect to the U.S. dollar denominated loans, upon maturity, the Organization has the option to (i) collect the full amount due, plus any accrued interest, or (ii) convert the notes to the most senior class of authorized shares of the borrower. The number of shares will be calculated using a pre-determined formula as mutually agreed by the parties.

During the year, convertible promissory notes with an original cost of \$251,114 (2019 - nil) were assessed as impaired and written-off.

**6. Capital assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2020 Net book value</b>	2019 Net book value
	\$	\$	\$	\$
Leasehold improvements	<b>200,140</b>	<b>102,155</b>	<b>97,985</b>	123,002

**Engineers Without Borders (Canada)/  
Ingénieurs Sans Frontières (Canada)**  
**Notes to the financial statements**  
October 31, 2020

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**7. Intangible assets**

The balance relates to Aeroplan points and consists of:

	<b>2020</b>	2019
	\$	\$
Balance, beginning of year	<b>88,296</b>	95,940
Additions	<b>57,356</b>	135,013
Redemptions (Note 2)	<b>(42,180)</b>	(142,657)
Balance, end of year	<b>103,472</b>	88,296

The year end balance is included in deferred revenue (Note 10).

**8. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities include nil with respect to government remittances payables as at October 31, 2020 and 2019.

**9. Deferred lease inducements**

	<b>2020</b>	2019
	\$	\$
Balance, beginning of year	<b>99,961</b>	120,293
Amortization	<b>(20,331)</b>	(20,332)
Balance, end of year	<b>79,630</b>	99,961

**10. Deferred revenue**

The balance at October 31 is comprised of:

	<b>2020</b>	2019
	\$	\$
Aeroplan points (Note 7)	<b>103,472</b>	88,296
Foundations and others	<b>433,959</b>	551,554
	<b>537,431</b>	639,850

The continuity of the deferred revenue from Foundations and others is as follows:

	<b>2020</b>	2019
	\$	\$
Balance, beginning of the year	<b>551,554</b>	1,896,397
Add: restricted funding received	<b>1,706,539</b>	2,263,844
Less: revenue recognized during the year	<b>1,824,134</b>	3,608,687
Balance, end of the year	<b>433,959</b>	551,554

**10. Deferred revenue (continued)**

The balance of the deferred revenue from Foundations and others at year end consists of the following:

	<b>2020</b>	2019
	<b>\$</b>	\$
McConnell Foundation	<b>102,250</b>	61,300
Royal Bank of Canada Youth	<b>100,000</b>	—
Bill and Melinda Gates Foundation	<b>141,515</b>	—
Deutsche Gesellschaft für Internationale	<b>41,575</b>	100,045
Suncor Champion	<b>38,330</b>	38,330
Suncor Energy Inc.	<b>10,289</b>	37,242
The Mastercard Foundation	—	246,580
Lassonde School of Engineering	—	19,308
Nathan Associates London Ltd.	—	18,180
University of British Columbia	—	16,037
L'ONG Fondation pour le Développement au Sahel	—	9,054
Concordia University	—	5,082
Publish What You Pay Canada	—	396
	<b>433,959</b>	551,554

**11. Lease commitments**

The Organization is committed under operating leases up to September 2024 for the rental of premises. The annual payments (excluding operating costs) are as follows:

	\$
2021	90,228
2022	90,581
2023	94,474
2024	86,601
	<u>361,883</u>

**12. Guarantees**

Indemnity has been provided to all directors and officers of the Organization for various items including, but not limited to, all costs to settle suits or actions due to their involvement with the Organization, subject to certain restrictions. The Organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The maximum amount of any potential future payments cannot be reasonably estimated.

### 13. Allocation of common expenses

The Organization has allocated its common expenses as follows:

	<b>National conference, leadership/ chapter development</b>	<b>Ventures</b>	<b>Public education and awareness</b>	<b>Fund- raising</b>	<b>Management and administration</b>	<b>2020 Total</b>
	\$	\$	\$	\$	\$	\$
Bank charges	942	2,827	628	1,571	1,885	7,853
Office expenses and travel	15,142	45,427	10,095	25,237	30,285	126,186
Professional development and human resources	716	2,147	477	1,193	1,431	5,964
Professional fees	5,594	16,781	3,729	9,323	11,187	46,614
Insurance	1,526	4,577	1,017	2,543	3,051	12,714
Rent and utilities	22,038	66,115	14,692	36,731	44,077	183,653
	<b>45,958</b>	<b>137,874</b>	<b>30,638</b>	<b>76,598</b>	<b>91,916</b>	<b>382,984</b>

  

	<b>National conference, leadership/ chapter development</b>	<b>Ventures</b>	<b>Public education and awareness</b>	<b>Fund- raising</b>	<b>Management and administration</b>	<b>2019 Total</b>
	\$	\$	\$	\$	\$	\$
Bank charges	1,108	4,061	738	1,846	2,215	9,968
Office expenses and travel	8,825	32,358	5,883	14,708	17,650	79,424
Professional development and human resources	541	1,984	361	902	1,082	4,870
Professional fees	7,942	29,601	5,054	13,718	15,884	72,199
Insurance	3,306	12,121	2,204	5,510	6,612	29,753
Rent and utilities	24,088	88,321	16,058	40,146	48,175	216,788
	<b>45,810</b>	<b>168,446</b>	<b>30,298</b>	<b>76,830</b>	<b>91,618</b>	<b>413,002</b>

### 14. Credit facilities

The Organization has a credit facility with a chartered bank amounting to \$250,000 for operating cash flows purposes, should the need arise, of which nil has been drawn as at October 31, 2020 or 2019.

### 15. Risk management

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization minimizes its credit risk by only dealing with creditworthy counterparties and it does not have significant credit risk exposure to any single counterparty.

**15. Risk management (continued)**

*Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization invests in non-Canadian entities (Note 4) and holds convertible promissory notes denominated in U.S. dollars (Note 5) and is therefore directly exposed to currency risk as the value of the investments and convertible promissory notes denominated in other currencies will fluctuate due to changes in exchange rates.

**16. Related party transactions**

During the year, the Organization received donations totaling \$21,700 (2019 – nil) from Directors and officers of the Organization. The transactions were measured at the exchange amounts, which were equivalent to the amounts of cash received at the dates of the transactions.

**17. Significant event – COVID-19**

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus (“COVID-19”) as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. The duration and impact of the COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of the pandemic will have on the financial results and condition of the Organization in future periods.